

## Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 PM-03 MC-01 OMB-01 EB-04 COME-00 AID-05

TRSE-00 RSC-01 /026 R

DRAFTED BY NEA/ARP:PMOLINEAUX;DOD/ISA/NESA:LTC HOLT

APPROVED BY NEA/ARP:FMDICKMAN

PM/SAS:COL FARNHAM

DOD/ISA/DSAA:MR. THIEBERGER

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R 182341Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY ABU DHABI

AMEMBASSY SANAA

INFO AMEMBASSY JIDDA

JCS

USCINCEUR

USMTM DHAHRAN

DOD/DALO-ILS

CDRAMC ALEX VA

SECDEF WASHDC

CDRUSARMCOM ROCK ISLAND IL

C O N F I D E N T I A L STATE 230325

E.O. 11652:GDS

TAGS: MARR YE TC US

SUBJECT: MILITARY SALES TO YAR - FMS CASES UAA/UAB

1. SINCE THE PREPARATION OF CASE UAB AND DESPITE OUR BEST EFFORTS TO HOLD TO ORIGINAL ESTIMATES, SEVERAL PRICE INCREASES HAVE OCCURRED THAT CUMULATIVELY ESCALATE THE YEMEN ARMS PACKAGE ABOVE THE \$2.8 MILLION ALREADY PAID FOR BY ABU DHABI. AT THE TIME CASE UAB WAS PREPARED OUR BEST ESTIMATE OF PRICE FOR 106RR AMMO WAS DOLS 81.07 PER ROUND. SINCE THEN THE NEW PROCUREMENT COST PER ROUND HAS BEEN SET AT 116.78 DOLS EA., INCREASING THE COST OF THE 10,000 ROUNDS REQUESTED BY YEMEN BY 357,100 DOLS. OTHER LESSER AMMUNITION PRICE INCREASES ADD ANOTHER  
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114,000 DOLS, RAISING THE TOTAL COST OF CASE UAB BY

APPROXIMATELY 471,000 DOLS. UNDER THE TERMS OF THE FOREIGN MILITARY SALES ACT, FOREIGN COUNTRIES MUST PAY TO USG WHATEVER IS THE ACTUAL COST OF THEIR PROCUREMENT. HENCE THESE HIGHER COSTS MUST BE PASSED ON TO THE CUSTOMER.

2. WE SEE SEVERAL OPTIONS AVAILABLE TO YAR TO HANDLE THIS PRICE INCREASE, ALTHOUGH WE RECOGNIZE THAT NONE WILL BE COMPLETELY SATISFACTORY:

A. APPROACH ABU DHABI FOR ADDITIONAL FUNDS.

B. YAR PAY THE DIFFERENCE FROM ITS OWN RESOURCES

C. REDUCE THE SIZE OF THE ARMS PACKAGE TO STAY WITHIN AVAILABLE FUNDS.

WE RECOMMEND THE LAST COURSE OF ACTION, REDUCING THE 106R.R. AMMO REQUIREMENT BY 3000 RDS

3. REQ YOU ADVISE BY MSG TO DEPT OF ARMY (ATTN: DALO ILS-M) WHICH OF THE OPTIONS IN PARA 2 YAR DESIRES TO FOLLOW.

4. WHEN SO ADVISED, WE WILL PREPARE A CASE AMENDMENT STATING NEW PRICES AND FORWARD IT FOR COUNTRY REVIEW AND ACCEPTANCE.

5. FYI. ARMY IS EXPERIENCING DIFFICULTIES IN OBTAINING A SURFACE CARRIER (EITHER US OR FOREIGN FLAG) TO TRANSPORT EQUIPMENT ON CASES UAA/UAB. TO DATE ALL CARRIERS HAVE TURNED DOWN THE CARGO OFFER. PRIMARY REASON IS THE SMALL QUANTITY OF MATERIAL INVOLVED. ACTION IS IN PROGRESS TO RESOLVE THIS PROBLEM. END FYI. KISSINGER

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